

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midcontinent Independent System Operator,)
Inc.) Docket No. ER20-588-000
)
)

**ANSWER AND MOTION FOR LEAVE TO ANSWER
OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rules 212 and 213 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor (“Market Monitor”) for PJM Interconnection, L.L.C. (“PJM”),² submits this answer and moves for leave to answer the comments filed on June 1, 2020, by the Midcontinent Independent System Operator, Inc. (“MISO”). There is no good reason to include any power supply option as a transmission asset and no such reason has been provided. There is no bright line between storage and other power supply options. MISO also fails to propose a bright line between transmission and market assets, adding to the confusion. MISO’s proposal should be rejected.

I. ANSWER

The inclusion of any power supply options, including batteries and generation, in the definition of transmission assets is inconsistent with competitive wholesale power markets. If the Commission’s stated goal is to reduce inappropriate and uneconomic barriers to storage facilities competing in the capacity market, the creation of a new subsidy

¹ 18 CFR §§ 385.212 & 385.213 (2019).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”), the PJM Operating Agreement (“OA”) or the PJM Reliability Assurance Agreement (“RAA”).

is at odds with that goal.³ There is no reason to introduce a new form of subsidy exactly when the Commission is acting to mitigate the impact of state subsidies on the wholesale power markets.⁴ The inclusion of batteries in the definition of transmission assets is an effort to expand the domain of assets subject to cost of service regulation and the associated guaranteed rates of return, at the cost of shrinking the domain of competitive markets. The discussion should be about expanding the role of competition in transmission rather than the arbitrary renaming of assets in order to reduce the role of competition in power markets. The discussion should also be about the impact of transmission planning on competitive markets for supply and demand options.

MISO simply assumes (at 2) that there are benefits to treating storage as transmission and proceeds from that unsupported premise. MISO's filing is from the perspective of an entity engaged in integrated resource planning (IRP) rather than an entity operating wholesale power markets. Vertically integrated utilities recognized the tradeoffs between transmission and generation facilities and their planning process accounted for those tradeoffs. Electric storage facilities (primarily batteries in the filings) are treated as comparable to generation in wholesale power markets. Nothing in MISO's lengthy filing distinguishes the salient features of storage from those of generation. MISO's arguments apply to combustion turbines as well as to batteries. MISO fails to explain whether a 500 MW pumped hydro facility would meet its definition of storage. It appears that such a facility would meet MISO's stated criteria. MISO's arguments prove too much. MISO's arguments would support inclusion of generation assets in the definition of transmission.

Transmission and generation have, and have always had, a symbiotic relationship in the provision of wholesale power. Transmission needs generation to function and generation needs transmission to function. Transmission can substitute for generation at the

³ See *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 841, 162 FERC ¶ 61,127 at P 19 (2018).

⁴ See *PJM Interconnection, L.L.C., et al.*, 169 FERC ¶ 61,239 (Dec. 19, 2019).

margin and generation can substitute for transmission at the margin. This relationship has always been a relatively unexamined area in the design of competitive wholesale power markets. For example, there is little if any explicit consideration of the impact of transmission planning on competitive generation investment in RTO/ISO market rules.

MISO appears to advance contradictory positions on whether a storage project may be both a transmission and a market asset in stating that the defined storage must be transmission only but also providing for part of that storage to be a market asset.⁵

II. MOTION FOR LEAVE TO ANSWER

The Commission's Rules of Practice and Procedure, 18 CFR § 385.213(a)(2), do not permit answers to answers or protests unless otherwise ordered by the decisional authority. The Commission has made exceptions, however, where an answer clarifies the issues or assists in creating a complete record.⁶ In this answer, the Market Monitor provides the Commission with information useful to the Commission's decision making process and which provides a more complete record. Accordingly, the Market Monitor respectfully requests that this answer be permitted.

⁵ Cf. MISO at 17–18 (“If the SATOA is selected as the preferred solution for a Transmission Issue, ... the Tariff prohibits the SATOA's operation for any other purposes”); MISO Filing, Docket No. ER20-588-000 (Dec. 12, 2019) at 13 n.67 (“However, any SATOA that has excess capacity beyond the required capacity selected as the preferred solution and approved for inclusion in MTEP, will be required to go through the GIP if it seeks to offer that excess capacity into the market. Cost recovery under transmission rates is limited to the cost of the maximum Capacity determined to be needed to address the Transmission Issue. See Attachment FF, Section II.G.1.a.ii proposed. ”).

⁶ See, e.g., *PJM Interconnection, L.L.C.*, 119 FERC ¶¶61,318 at P 36 (2007) (accepted answer to answer that “provided information that assisted ... decision-making process”); *California Independent System Operator Corporation*, 110 FERC ¶ 61,007 (2005) (answer to answer permitted to assist Commission in decision-making process); *New Power Company v. PJM Interconnection, L.L.C.*, 98 FERC ¶ 61,208 (2002) (answer accepted to provide new factual and legal material to assist the Commission in decision-making process); *N.Y. Independent System Operator, Inc.*, 121 FERC ¶¶61,112 at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision-making process).

III. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this answer as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: June 16, 2020

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 16th day of June, 2020.



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